Thembelihle Local Municipality
Financial statements
for the year ended 30 June 2019

General Information

Legal form of entity	South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act No 117 of 1998). Municipal demarcation code NC076
Nature of business and principal activities	Provision of Municipal services in terms of the Municipal Finance Management Act No.56 0f 2003 and Municipal Systems Act No.32 of 2000.
Mayoral committee	
Executive Mayor	Mpamba, B
Councillors	Swartling, S Tshangela, B Tallies, J Ngxabazi, R Brits, HL Naude, PM
Grading of local authority	The Thembelihle Municipality is a grade 2 Local Authority in terms of items IV of Government Notice R999 of 2 October 2001, Published in terms of the Remuneration of public Office Bearers Act, 1998.
Accounting Officer	Jack, MR
Chief Finance Officer (CFO)	Acting CFO - Jaxa, N (Appointed 1 July 2018 - 30 November 2018) Appointed CFO - Shuping, R (Appointed 03 December 2018)
Registered office	Municipal Offices Church street Hopetown 8750
Business address	Municipal Offices Church street Hopetown 8750
Postal address	Private Bag X3 Hopetown 8750
Bankers	Standard Bank Limited (Primary)
Attorneys	Herman van Heerden Inc

Index

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

Index

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act No. 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to 30 June 2020 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The municipality's operations depend on a number of sources of revenue ranging from National Government to its own sources and donations for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and that the Thembelihle Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of the municipality.

Although the accounting officer is primarily responsible for the financial affairs of the municipality, they are supported by the municipality's external auditors.

The external auditors are responsible for independently reviewing and reporting on the municipality's financial statements. The financial statements have been examined by the municipality's external auditors.

The financial statements set out on pages 5 to 72, which have been prepared on the going concern basis, were approved by the accounting officer on 31 August 2019 and were signed on its behalf by:

Mr MR Jack
Accounting Officer

Accounting Officer's Report

The accounting officer submits his report for the year ended 30 June 2019.

1. Review of activities

Main business and operations

The municipality is engaged in provision of municipal services in terms of the municipal finance management act no.56 of 2003 and municipal systems act no.32 of 2000 and operates principally in South Africa.

The operating results and state of affairs of the municipality are fully set out in the attached financial statements and do not in our opinion require any further comment.

Net deficit of the municipality was R 7 208 793 (2018: deficit R 2 481 943).

Proportion of income and loss attributable to various classes of business:

2019

Classes of business	Proportion of contribution to income before tax	Other informative information
Property rates	4 %	4 035 707
Services Chargers	25 %	21 701 936
Grants and Subsidies	67 %	60 897 668
Other	4 %	3 937 124

2018

Classes of business	Proportion of contribution to income before tax	Other informative information
Property rates	5 %	4 068 356
Services Chargers	22 %	19 903 524
Grants and Subsidies	67 %	58 710 169
Other	6 %	4 845 693

2. Going concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality.

The municipality still has power to levy rates and taxes and it will continnue to receive funding from goverment as evident from the equitable share allocation in terms of the Division of Revenue Act of 2019.

3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the financial year.

4. Accounting Officer's interest in contracts

The accounting officer had no interest in contracts during the year.

5. Accounting policies

The financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practices (GRAP), including any interpretations and directives issued by the Accounting Standards Board and in accordance with section 122 (3) of the Municipal Financial Management Act, (Act No. 56 of 2003).

Accounting Officer's Report

6. Accounting Officer

The accounting officer of the municipality during the year and to the date of this report is as follows:

Name	Nationality	Appointed
Mr. MR Jack	South African	Appointed Thursday, 02 November 2017

7. Corporate governance

General

The accounting officer is committed to business integrity, transparency and professionalism in all its activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

The municipality confirms and acknowledges its responsibility to total compliance with the Code of Corporate Practices and Conduct ("the Code") laid out in the King Report on Corporate Governance for South Africa 2002. The accounting officer discuss the responsibilities of management in this respect, at Council meetings and monitor the municipality's compliance with the code on a three monthly basis.

The salient features of the municipality's adoption of the Code is outlined below:

Council

The Council:
- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as to strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;

Remuneration

The upper limits of the remuneration of the councillors, are determined in terms of the Government Notices issued by the Minister of Co-operative Governance and Traditional Affairs, as required by him by the Remunerations of Public Office Bearers Act No.20 of 1998.

Committee meetings

The accounting officer meets on a regular basis with the Mayor and Chairpersons of Portfolio Committees.

Portfolio Committee Chairpersons have access to all members of management (Section 57 Managers) of the municipality.

Internal audit

The municipality has a shared internal audit function based at the district municipality (as highlighted above). This is in compliance with the Municipal Finance Management Act, 2003.

8. Bankers

The municipality's primary banker is Standard Bank Limited

9. Auditors

The Auditor General of South Africa will continue in office for the next financial period.

Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018
Assets			
Current Assets			
Inventories	3	41 906	22 943
Receivables from exchange transactions	4&7	3 472 560	2 380 976
Receivables from non-exchange transactions	5&7	2 041 559	2 200 068
VAT receivable	17	9 438 420	7 002 454
Prepayments		17 460	17 460
Other receivables	8	595 416	595 416
Cash and cash equivalents	9	4 352 317	976 470
		19 959 638	**13 195 787**
Non-Current Assets			
Investment property	10	10 525 921	10 421 704
Property, plant and equipment	11	241 724 676	234 996 252
Intangible assets	12	53 952	115 513
Non current receivables from exchange transactions	13	420 003	437 322
		252 724 552	**245 970 791**
Total Assets		**272 684 190**	**259 166 578**
Liabilities			
Current Liabilities			
Loans Payable	14	559 312	534 614
Finance lease obligation	15	744 200	488 073
Payables from exchange transactions	16	92 125 836	77 181 434
Consumer deposits	18	624 460	590 054
Employee benefit obligation	19	236 344	234 840
Unspent conditional grants and receipts	20	5 010 415	1 272 767
Provisions	21	8 797 416	8 272 431
Third Party Collections	22	130 643	130 643
Long service awards	23	262 296	48 572
Bank overdraft	9	1 761 688	-
		110 252 610	**88 753 428**
Non-Current Liabilities			
Loans Payable	14	2 904 618	3 283 837
Finance lease obligation	15	2 503 196	2 929 919
Employee benefit obligation	19	4 729 246	4 742 456
Long service awards	23	1 273 869	1 227 494
		11 410 929	**12 183 706**
Total Liabilities		**121 663 539**	**100 937 134**
Net Assets		**151 020 651**	**158 229 444**
Accumulated surplus		151 020 651	158 229 444

* See Note 52

Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018
Revenue			
Revenue from exchange transactions			
Service charges	25	21 701 936	19 903 524
Rental of facilities and equipment	26	332 182	768 333
Interest received - consumers	27	1 164 520	984 761
Licences and permits	28	160 584	219 555
Commissions received	29	110 061	508 225
Other income	30	768 459	540 031
Connection fees	31	46 994	62 109
Interest received - investments	27	499 778	594 753
Total revenue from exchange transactions		**24 784 514**	**23 581 291**
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	32	4 035 707	4 068 356
Licences or Permits (Non-exchange)	28	638 674	63 209
Informal Settlement rates		4 522	3 917
Transfer revenue			
Government grants & subsidies	33	60 897 668	58 710 169
Fines, Penalties and Forfeits	34	211 350	1 100 800
Total revenue from non-exchange transactions		**65 787 921**	**63 946 451**
Total revenue	24	**90 572 435**	**87 527 742**
Expenditure			
Employee related costs	35	(29 059 110)	(26 784 243)
Remuneration of councillors	36	(2 448 635)	(2 557 024)
Administration	37	(79 249)	(60 591)
Depreciation and amortisation	38	(17 029 270)	(9 068 746)
Finance costs	39	(8 655 200)	(8 303 303)
Lease rentals on operating lease		(277 415)	(699 687)
Bad Debt impairment movement	6	(8 824 367)	(7 615 150)
Bulk purchases	41	(13 032 650)	(12 507 720)
Contracted services	42	(144 784)	(207 873)
General Expenses	43	(18 800 165)	(23 175 395)
Total expenditure		**(98 350 845)**	**(90 979 732)**
Operating deficit		**(7 778 410)**	**(3 451 990)**
Gain/ (loss) on disposal of assets and liabilities		(142 557)	(269 173)
Fair value adjustments	10&44	104 217	227 094
Actuarial gains/losses	19	607 957	973 441
		569 617	**931 362**
Deficit for the year		**(7 208 793)**	**(2 520 628)**

* See Note 52

Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Adjustments		
Prior year adjustments	38 685	38 685
Balance at 01 July 2017	**155 910 736**	**155 910 736**
Changes in net assets		
Surplus for the year	(2 520 628)	(2 520 628)
Total changes	(2 520 628)	(2 520 628)
Opening balance as previously reported	153 124 492	153 124 492
Adjustments		
Prior year adjustments	5 104 952	5 104 952
Restated* Balance at 01 July 2018 as restated*	**158 229 444**	**158 229 444**
Changes in net assets		
Surplus for the year	(7 208 793)	(7 208 793)
Total changes	(7 208 793)	(7 208 793)
Balance at 30 June 2019	**151 020 651**	**151 020 651**

* See Note 52

Cash Flow Statement

Figures in Rand	Note(s)	2019	2018
Cash flows from operating activities			
Receipts			
Sale of goods and services		18 556 989	19 994 914
Grants		64 383 073	56 624 748
Interest income		1 664 298	1 579 514
		84 604 360	78 199 176
Payments			
Employee costs		(29 827 132)	(29 031 867)
Suppliers		(19 972 231)	(27 372 330)
Finance costs		(8 655 200)	(8 303 301)
		(58 454 563)	(64 707 498)
Net cash flows from operating activities	45	**26 149 797**	**13 491 678**
Cash flows from investing activities			
Purchase of property, plant and equipment	11	(23 462 457)	(12 812 117)
Proceeds from sale of property, plant and equipment	11	4 346	22 061
Net cash flows from investing activities		**(23 458 111)**	**(12 790 056)**
Cash flows from financing activities			
Repayment of loans payable		(354 521)	(389 162)
Finance payments		(551 176)	(688 365)
Net cash flows from financing activities		**(1 077 527)**	**(1 077 527)**
Cash and cash equivalents at the beginning of the year		976 470	600 563
Cash and cash equivalents at the end of the year	9	**2 590 629**	**976 470**

* See Note 52

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Statement of Financial Performance						
Revenue						
Revenue by source						
Property rates	8 406 304	(3 001 861)	**5 404 443**	4 035 707	**(1 368 736)**	
Service charges	25 230 867	(2 646 511)	**22 584 356**	21 701 936	**(882 420)**	
Investment revenue	641 633	-	**641 633**	1 996 480	**1 354 847**	
Transfers recognised - operational	27 935 920	-	**27 935 920**	28 854 206	**918 286**	
Other own revenue	6 392 665	1 467 429	**7 860 094**	1 940 644	**(5 919 450)**	
Total Revenue (excluding capital transfers and contributions)	**68 607 389**	**(4 180 943)**	**64 426 446**	**58 528 973**	**(5 897 473)**	
Expenditure by type						
Employee costs	(27 896 602)	2 440 615	**(25 455 987)**	(28 150 611)	**(2 694 624)**	
Remuneration of councillors	(2 778 600)	(54 910)	**(2 833 510)**	(2 448 635)	**384 875**	
Debt impairment	(819 043)	-	**(819 043)**	(8 824 367)	**(8 005 324)**	
Depreciation & asset impairment	(8 232 600)	-	**(8 232 600)**	(17 029 270)	**(8 796 670)**	
Finance charges	(384 240)	-	**(384 240)**	(8 655 200)	**(8 270 960)**	
Materials and bulk purchases	(7 084 984)	(1 980 000)	**(9 064 984)**	(13 032 650)	**(3 967 666)**	
Transfers and grants	(7 556 908)	3 000 000	**(4 556 908)**	-	**4 556 908**	
Other expenditure	(12 603 153)	404 422	**(12 198 731)**	(19 301 613)	**(7 102 882)**	
Total expenditure	**(67 356 130)**	**3 810 127**	**(63 546 003)**	**(97 442 346)**	**(33 896 343)**	
Surplus	**1 251 259**	**(370 816)**	**880 443**	**(38 913 373)**	**(39 793 816)**	
Transfers recognised - capital	33 209 400	2 967 600	**36 177 000**	32 043 462	**(4 133 538)**	
Surplus after capital transfers & contributions	**34 460 659**	**2 596 784**	**37 057 443**	**(6 869 911)**	**(43 927 354)**	
Surplus for the year	**34 460 659**	**2 596 784**	**37 057 443**	**(6 869 911)**	**(43 927 354)**	
Statement of Financial Position						
Assets						
Current Assets						
Cash	1 851 912	-	**1 851 912**	4 352 317	**2 500 405**	
Consumer debtors	10 324 665	-	**10 324 665**	3 463 309	**(6 861 356)**	
Other debtors	3 391 713	-	**3 391 713**	12 102 105	**8 710 392**	
Inventory	2 106	-	**2 106**	41 906	**39 800**	
	15 570 396	**-**	**15 570 396**	**19 959 637**	**4 389 241**	
Non-Current Assets						
Investments	493 857	-	**493 857**	-	**(493 857)**	
Investment property	8 138 637	-	**8 138 637**	10 525 921	**2 387 284**	
Property, plant and equipment	216 201 089	-	**216 201 089**	241 558 273	**25 357 184**	
Intangible	210 600	-	**210 600**	53 952	**(156 648)**	
Other non-current assets	-	-	**-**	420 003	**420 003**	

Thembelihle Local Municipality

(Registration number NC076)
Financial Statements for the year ended 30 June 2019

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

Figures in Rand	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	225 044 183	**-**	**225 044 183**	**252 558 149**	**27 513 966**	
Total Assets	**240 614 579**	**-**	**240 614 579**	**272 517 786**	**31 903 207**	
Liabilities						
Current Liabilities						
Bank overdraft	-	-	-	1 761 688	**1 761 688**	
Borrowing	-	-	-	1 303 512	**1 303 512**	
Consumer deposits	-	-	-	624 460	**624 460**	
Trade and other payables	(25 573 158)	-	**(25 573 158)**	106 129 169	**131 702 327**	
Provisions	(8 507 187)	-	**(8 507 187)**	-	**8 507 187**	
	(34 080 345)	**-**	**(34 080 345)**	**109 818 829**	**143 899 174**	
Non-Current Liabilities						
Borrowing	(4 990 167)	-	**(4 990 167)**	5 407 814	**10 397 981**	
Provisions	(8 152 326)	-	**(8 152 326)**	5 969 950	**14 122 276**	
	(13 142 493)	**-**	**(13 142 493)**	**11 377 764**	**24 520 257**	
Total Liabilities	**(47 222 838)**	**-**	**(47 222 838)**	**121 196 593**	**168 419 431**	
Net Assets	**287 837 417**	**-**	**287 837 417**	**151 321 193**	**(136 516 224)**	
Community wealth/equity						
Accumulated Surplus/(Deficit)	287 837 417	-	**287 837 417**	151 321 193	**(136 516 224)**	
Total community wealth/equity	**287 837 417**	**-**	**287 837 417**	**151 321 193**	**(136 516 224)**	

The accounting policies on pages 15 to 34 and the notes on pages 34 to 72 form an integral part of the financial statements.

Thembelihle Local Municipality

(Registration number NC076)
Financial Statements for the year ended 30 June 2019

Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
2019											
Financial Performance											
Property rates	8 406 304	(3 001 861)	5 404 443	-		5 404 443	4 035 707		(1 368 736)	75 %	48 %
Service charges	25 230 867	(2 646 511)	22 584 356	-		22 584 356	21 701 936		(882 420)	96 %	86 %
Investment revenue	641 633	-	641 633	-		641 633	1 996 480		1 354 847	311 %	311 %
Transfers recognised - operational	27 935 920	-	27 935 920	-		27 935 920	28 854 206		918 286	103 %	103 %
Other own revenue	6 392 665	(2 023 769)	4 368 896	-		4 368 896	1 940 644		(2 428 252)	44 %	30 %
Total revenue (excluding capital transfers and contributions)	**68 607 389**	**(7 672 141)**	**60 935 248**	**-**		**60 935 248**	**58 528 973**		**(2 406 275)**	**96 %**	**85 %**
Employee costs	(27 896 602)	601 476	(27 295 126)	-	-	(27 295 126)	(29 059 110)	-	(1 763 984)	106 %	104 %
Remuneration of councillors	(2 778 600)	-	(2 778 600)	-	-	(2 778 600)	(2 448 635)	-	329 965	88 %	88 %
Debt impairment	(819 043)	-	(819 043)			(819 043)	(8 824 367)	-	(8 005 324)	1 077 %	1 077 %
Depreciation and asset impairment	(8 232 600)	-	(8 232 600)			(8 232 600)	(17 029 270)	-	(8 796 670)	207 %	207 %
Finance charges	(384 240)	-	(384 240)	-	-	(384 240)	(8 655 200)	-	(8 270 960)	2 253 %	2 253 %
Materials and bulk purchases	(7 084 984)	(1 980 000)	(9 064 984)	-	-	(9 064 984)	(13 032 650)	-	(3 967 666)	144 %	184 %
Transfers and grants	(7 556 908)	-	(7 556 908)	-	-	(7 556 908)	-	-	7 556 908	- %	- %
Other expenditure	(12 603 153)	-	(12 603 153)	-	-	(12 603 153)	(19 301 613)	-	(6 698 460)	153 %	153 %
Total expenditure	**(67 356 130)**	**(1 378 524)**	**(68 734 654)**	**-**	**-**	**(68 734 654)**	**(98 350 845)**	**-**	**(29 616 191)**	**143 %**	**146 %**
Surplus/(Deficit)	**1 251 259**	**(9 050 665)**	**(7 799 406)**	**-**		**(7 799 406)**	**(39 821 872)**		**(32 022 466)**	**511 %**	**(3 183)%**

Appropriation Statement

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	33 209 400	-	33 209 400	-		33 209 400	32 043 462		(1 165 938)	96 %	96 %
Surplus (Deficit) after capital transfers and contributions	**34 460 659**	**(9 050 665)**	**25 409 994**	**-**		**25 409 994**	**(7 778 410)**		**(33 188 404)**	**(31)%**	**(23)%**
Surplus/(Deficit) for the year	**34 460 659**	**(9 050 665)**	**25 409 994**	**-**		**25 409 994**	**(7 778 410)**		**(33 188 404)**	**(31)%**	**(23)%**

Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note 49 Changes in accounting policy.

1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts represented in the financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the financial statements. Significant judgements include:

Trade receivables

The calculation in respect of the impairment of trade receivables is based on an assessment of the extent to which debtors have defaulted on payments already due, and an assessment of their ability to make payments based on their creditworthiness. This was performed per trade receivable per service.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 21 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 19.

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Cash & Cash Equivalents

Cash includes cash on hand (petty cash) and cash with banks (including call deposits). Cash equivalents are short term highly liquid investments that are readily convertible to a known amount of cash and are held with registered banking institutions with maturities of three months or less. They are subject to insignificant risk of changes in value.

For purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables. Bank overdrafts are recorded based on the facility used. Finance charges on bank overdrafts are expenses as incurred. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position. Cash and cash equivalents and bank borrowings are subsequently recorded at amortised cost.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

1.4 Investment property (continued)

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Property interests held under operating leases are classified and accounted for as investment property in the following circumstances:

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, including the nature or type of properties classified as held for strategic purposes, are as follows:

The municipality separately discloses expenditure to repair and maintain investment property in the notes to the financial statements (see note 10).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note 11).

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if,
- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and if
- the cost or fair value of the item can be measured reliably.

Property, plant and equipment is initially measured at cost on its acquisition date or in the case of assets acquired by grants or donations, deemed cost, being the fair value of the asset on initial recognition.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Accounting Policies

1.5 Property, plant and equipment (continued)

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life - Years
Land		
• Land	Not Applicable	
Buildings	Straight line	
• Improvements		10 - 30
Infrastructure	Straight line	
• Roads & Paving		5 - 80
• Electricity		5 - 50
• Water and sanitation		10 - 100
• Sewerage/ Solid waste		10 - 60
• y		10 - 100
Community	Straight line	
• Community Facilities		30
• Recreational facilities		15 - 30
Other	Straight line	
• Computer Equipment		5 - 10
• Emergency Equipment		10
• Furniture & Fittings		5 - 15
• Motor Vehicles		7 - 15
• Office Equipment		5 - 15
• Plant and Equipment		5 - 15

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Accounting Policies

1.5 Property, plant and equipment (continued)

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain property, plant and equipment in the notes to the financial statements.

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.6 Site restoration and dismantling cost (Landfill sites)

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

Accounting Policies

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements.

1.7 Intangible assets (continued)

Intangible assets are derecognised:
- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Trade Payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Liabilities for annual leave (accrued leave pay) and annual bonus are recognised as they accrue to employees. Accrual is based on the potential liability of the municipality. Liabilities for goods and services rendered to the municipality before year end are accrued on management's estimate if the invoice or statement have not been issued.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Derecognition is the removal of a previously recognised financial asset or financial liability from the entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:
- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:
- cash;
- a residual interest of another entity; or

Accounting Policies

1.9 Financial instruments (continued)

- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:
- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:
- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:
- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Accounting Policies

1.9 Financial instruments (continued)

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Cash and cash equivalents	Financial asset measured at amortised cost
Trade Receivables	Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class	Category
Loans	Financial liability measured at amortised cost
Finance leases	Financial liability measured at amortised cost
Paybales	Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Accounting Policies

1.9 Financial instruments (continued)

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:
- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:
- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

Accounting Policies

1.9 Financial instruments (continued)

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Unspent conditional grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Where not all conditions relating to the conditional grant has been met, a portion of the grant is treated as unspent. In this case, the unspent portion is treated as deferred income.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

Accounting Policies

1.11 Leases (continued)

Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

Accounting Policies

1.12 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Water

The estimation of the water inventory in the reservoirs is based on the measurement of water via manual level meters, where the level indicates the depth of the water in the reservoir, which is then converted into volumes based on the total capacity of the relevant reservoir.

Water is regarded as inventory when the municipality purchased water in bulk with the intention to resell it to the consumer or to use it internally, or where the municipality has incurred purification costs on water obtained from natural resources (rain, rivers, springs, boreholes etc.) However, water in dams, that are filled by natural resources and that has not yet been treated, is under the control of the municipality but can not be measured reliably as there is no cost attached to the water, is not recognised in the statement of financial position.

The basis of determining the cost of water purchased and not yet sold at statement of financial position date comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventory to its present location, net of trade discounts and rebates.

Water and purified effluent are valued by using the last invoice amount per KL as received from the water supplier to determine the lowest of cost and net realisable value.

1.13 Construction contracts and receivables

Construction contract is a contract, or a similar binding arrangement, specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and function or their ultimate purpose or use.

Cost plus or cost based contract is a construction contract in which the contractor is reimbursed for allowable or otherwise defined costs and, in the case of a commercially-based contract, an additional percentage of these costs or a fixed fee, if any.

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by completion of a physical proportion of the contract work.

Treasury provides the Municipality with the Regional Bulk infrastructure grant. This Grant refunds the Municipality for expenses incurred on approved projects.

When it is probable that total contract costs will exceed total contract revenue, the expected deficit is recognised as an expense immediately.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

Useful life is either:
- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

1.16 Employee benefits

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the entity's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

Defined benefit plans

For defined benefit plans the cost of providing the benefits is determined using the projected credit method.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan.

Consideration is given to any event that could impact the funds up to end of the reporting period where the interim valuation is performed at an earlier date.

Past service costs are recognised immediately to the extent that the benefits are already vested, and are otherwise amortised on a straight line basis over the average period until the amended benefits become vested.

To the extent that, at the beginning of the financial period, any cumulative unrecognised actuarial gain or loss exceeds ten percent of the greater of the present value of the projected benefit obligation and the fair value of the plan assets (the corridor), that portion is recognised in surplus or deficit over the expected average remaining service lives of participating employees. Actuarial gains or losses within the corridor are not recognised.

Gains or losses on the curtailment or settlement of a defined benefit plan is recognised when the entity is demonstrably committed to curtailment or settlement.

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The amount recognised in the statement of financial position represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service costs, and reduces the fair value of plan assets.

Any asset is limited to unrecognised actuarial losses and past service costs, plus the present value of available refunds and reduction in future contributions to the plan.

Accounting Policies

1.17 Provisions and contingencies

Provisions are recognised when:
- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 50.

Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model, the related depreciation, based on the estimated useful life of the landfill site is recognised immediately in surplus or deficit.

If the related asset is measured using the revaluation model:
- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;

1.18 Commitments

Items are classified as commitments when the municipality has committed itself to future transactions that will normally result in the outflow of cash.

Disclosures are required in respect of unrecognised contractual commitments.

Accounting Policies

1.18 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancelable or only cancelable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or operational commitments are excluded.

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service charges relating to electricity, water and sanitation are based on consumption. Meters are read and billed on a monthly basis and revenue is accounted for when invoiced. Estimated consumption's are made monthly when meters have not been read. The estimates of consumption are accounted for as revenue when invoiced. Adjustments to estimates of consumption are made in the invoicing period when meters have been read. These adjustments are accounted for as revenue or as a write back of revenue in the invoicing period. Revenue from the sale of electricity pre-paid meter cards are recognised at the point of sale. An adjustment for an unutilised portion is made at year end based on the average consumption history.

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Income from agency services: Income from agency services are accounted for on a monthly basis once the income collected/retrieved on behalf of agents has been quantified. The income is accounted for in terms of the agency agreement.

1.20 Revenue from non-exchange transactions

Non-exchange transactions are defined as transactions where the entity receives value from another entity without directly giving approximately equal value in exchange.

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Government grants

Government grants are recognised as revenue when:

- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality,
- the amount of the revenue can be measured reliably, and
- to the extent that there has been compliance with any restrictions associated with the grant.

The municipality assesses the degree of certainty attached to the flow of future economic benefits or service potential on the basis of the available evidence. Certain grants payable by one level of government to another are subject to the availability of funds. Revenue from these grants is only recognised when it is probable that the economic benefits or service potential associated with the transaction will flow to the entity. An announcement at the beginning of a financial year that grants may be available for qualifying entities in accordance with an agreed programme may not be sufficient evidence of the probability of the flow. Revenue is then only recognised once evidence of the probability of the flow becomes available.

Restrictions on government grants may result in such revenue being recognised on a time proportion basis. Where there is no restriction on the period, such revenue is recognised on receipt or when the Act becomes effective, which-ever is earlier.

When government remit grants on a re-imbursement basis, revenue is recognised when the qualifying expense has been incurred and to the extent that any other restrictions have been complied with.

1.21 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.22 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

Accounting Policies

1.23 Unauthorised expenditure

Unauthorised expenditure means:
- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.24 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -
(a) this Act; or
(b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
(c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Accounting Policies

1.26 Budget information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisation's (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018-07-01 to 2019-06-30.

The budget for the economic entity includes all the entities approved budgets under its control.

The financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.27 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the provincial sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

1.28 Accumulated surplus

Accumulated surplus is updated on a yearly basis with the net deficit or net loss, whichever is applicable for the financial period's results.

Accounting Policies

1.29 Value Added Tax (VAT)

The municipality is registered with SARS for VAT on the payment basis, in accordance with Sec15(2)(a) of the Value-added Tax Act No 89 of 1991. VAT is accounted for on the accrual basis as required by GRAP on the transaction basis. At year end balances remain for deferred VAT Receivable and Payable as well as the Actual amount receivable or payable with SARS.

Notes to the Financial Statements

Figures in Rand	2019	2018

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

• GRAP 104: Financial Instruments	01 April 2099	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2099	Unlikely there will be a material impact
• GRAP 110: Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact

3. Inventories

	2019	2018
Consumable stores	40 406	22 070
Water	1 500	873
	41 906	**22 943**
Carrying value of inventories carried at fair value less costs to sell	41 906	22 943
Inventories recognised as an expense during the year	446 331	990 621

Inventory pledged as security

No inventory was pledged as security during the current financial period.

4. Receivables from exchange transactions

	2019	2018
Deposits	106 780	106 780
Consumer debtors - Electricity	2 282 375	1 525 709
Consumer debtors - Water	327 759	257 160
Consumer debtors - Sewerage	340 646	240 056
Consumer debtors - Refuse	173 063	115 435
Consumer debtors - Arrears	82 432	135 365
Consumer debtors - Rentals	37 096	20 381
Consumer debtors - Other	122 409	(19 910)
	3 472 560	**2 380 976**

5. Receivables from non-exchange transactions

	2019	2018
Fines	1 665 659	1 704 627
Consumer debtors - Rates	375 900	495 441
	2 041 559	**2 200 068**

Notes to the Financial Statements

Figures in Rand	2019	2018

5. Receivables from non-exchange transactions (continued)

Receivables from non-exchange transactions impaired

As of 30 June 2019, Traffic fine receivables from non-exchange transactions, the impairment raised in the current year is R2 881 962.00.

The amount of the traffic fines and provision recognised was as follows.

	2019	2018
Traffic fine	4 547 621	4 626 556
Provision for traffic fine	(2 881 962)	(2 921 929)
	1 665 659	**1 704 627**

6. Debt impairment

	2019	2018
Contributions to debt impairment provision	8 824 367	7 615 150

The debt impairment indicated above includes both the impairments on Current and Non-Current Debtors.

The Impairment movement is made up as follow:

	2019	2018
Opening balance (Current and Non-Current)	(42 637 431)	(35 691 078)
Provision on Current Debtors	(8 413 615)	(6 946 353)
	(51 051 046)	**(42 637 431)**

7. Consumer debtors disclosure

Gross balances	2019	2018
Consumer debtors - Rates	6 751 596	5 991 061
Consumer debtors - Electricity	7 205 129	5 389 957
Consumer debtors - Water	17 474 837	14 066 579
Consumer debtors - Sewerage	12 673 699	10 663 330
Consumer debtors - Refuse	7 243 152	6 084 600
Consumer debtors - Arrears	1 635 014	1 635 684
Consumer debtors - Rentals	1 685 867	1 585 493
Consumer debtors - Other	124 723	(9 635)
	54 794 017	**45 407 069**

Less: Allowance for impairment	2019	2018
Consumer debtors - Rates	(6 375 696)	(5 495 620)
Consumer debtors - Electricity	(4 922 754)	(3 864 248)
Consumer debtors - Water	(17 147 078)	(13 809 419)
Consumer debtors - Sewerage	(12 333 053)	(10 423 274)
Consumer debtors - Refuse	(7 070 089)	(5 969 165)
Consumer debtors - Arrears	(1 552 582)	(1 500 319)
Consumer debtors - Rentals	(1 648 771)	(1 565 112)
Consumer debtors - Other	(2 314)	(10 275)
	(51 052 337)	**(42 637 432)**

Figures in Rand	2019	2018

7. Consumer debtors disclosure (continued)

Net balance		
Consumer debtors - Rates	375 900	495 441
Consumer debtors - Electricity	2 282 375	1 525 709
Consumer debtors - Water	327 759	257 160
Consumer debtors - Sewerage	340 646	240 056
Consumer debtors - Refuse	173 063	115 435
Consumer debtors - Arrears	82 432	135 365
Consumer debtors - Rentals	37 096	20 381
Consumer debtors - Other	122 409	(19 910)
	3 741 680	**2 769 637**

Included in above is receivables from exchange transactions		
Electricity	2 282 375	1 525 709
Water	327 759	257 160
Sewerage	340 646	240 056
Refuse	173 063	115 434
Arrears	82 432	69 247
Rentals	37 096	17 130
Other	122 409	2 677
	3 365 780	**2 227 413**

Included in above is receivables from non-exchange transactions (taxes and transfers)		
Rates	375 900	409 875
Net balance	**3 741 680**	**2 637 288**

Rates		
Current (0 -30 days)	108 654	101 812
31 - 60 days	38 803	23 592
61 - 90 days	23 245	19 421
91 - 120 days	20 402	16 235
121 - 365 days	184 796	334 381
	375 900	**495 441**

Electricity		
Current (0 -30 days)	880 610	924 861
31 - 60 days	349 989	352 832
61 - 90 days	288 531	53 329
91 - 120 days	267 319	19 576
121 - 365 days	495 926	175 111
	2 282 375	**1 525 709**

Water		
Current (0 -30 days)	94 156	100 278
31 - 60 days	19 024	16 756
61 - 90 days	14 455	8 115
91 - 120 days	14 098	6 818
121 - 365 days	186 026	125 193
	327 759	**257 160**

Notes to the Financial Statements

Figures in Rand	2019	2018

7. Consumer debtors disclosure (continued)

Sewerage

Current (0 -30 days)	75 437	66 034
31 - 60 days	25 919	16 320
61 - 90 days	18 304	12 715
91 - 120 days	12 984	8 281
121 - 365 days	208 002	136 706
	340 646	**240 056**

Refuse

Current (0 -30 days)	35 153	29 329
31 - 60 days	12 598	7 356
61 - 90 days	9 148	5 295
91 - 120 days	7 154	4 178
121 - 365 days	109 010	69 277
	173 063	**115 435**

Business service levies

Current (0 -30 days)	6 942	6 867
31 - 60 days	5 856	5 335
61 - 90 days	4 539	5 418
91 - 120 days	2 600	3 126
121 - 365 days	62 495	114 619
	82 432	**135 365**

Regional services levies

Current (0 -30 days)	5 914	13 755
31 - 60 days	4 760	1 599
61 - 90 days	4 199	1 599
91 - 120 days	4 199	178
121 - 365 days	18 024	3 250
	37 096	**20 381**

Housing rental

Current (0 -30 days)	3 948	1 456
31 - 60 days	137	137
61 - 90 days	137	137
91 - 120 days	137	135
121 - 365 days	118 050	(21 775)
	122 409	**(19 910)**

Figures in Rand	2019	2018

7. Consumer debtors disclosure (continued)

Summary of debtors by customer classification

	2019	2018
Consumers		
Current (0 -30 days)	2 189 835	1 516 036
31 - 60 days	960 566	924 777
61 - 90 days	944 569	645 847
91 - 120 days	977 593	567 146
121 - 365 days	42 343 097	35 665 254
	47 415 660	39 319 060
Less: Allowance for impairment	(44 886 096)	(37 591 130)
	2 529 564	**1 727 930**
Industrial/ commercial		
Current (0 -30 days)	206 592	205 707
31 - 60 days	145 455	86 452
61 - 90 days	40 692	33 468
91 - 120 days	19 435	39 649
121 - 365 days	464 482	250 953
	876 656	616 229
Less: Allowance for impairment	(242 169)	(232 101)
	634 487	**384 128**
National and provincial government		
Current (0 -30 days)	561 248	471 242
31 - 60 days	281 986	146 817
61 - 90 days	204 871	112 101
91 - 120 days	176 633	83 045
121 - 365 days	5 278 860	4 648 008
	6 503 598	5 461 213
Less: Allowance for impairment	(5 767 931)	(4 935 982)
	735 667	**525 231**
Total debtor past due but not impaired		
31 - 60 days	1 210 815	1 244 391
61 - 90 days	456 950	423 927
91 - 120 days	362 421	106 029
121 - 365 days	1 590 751	862 940
	3 620 937	**2 637 287**
Reconciliation of allowance for impairment		
Balance at beginning of the year	(42 637 432)	(35 691 078)
Contributions to allowance	(12 156 585)	(6 946 354)
	(54 794 017)	**(42 637 432)**

8. Other Receivables

Other receivables consist out of:

	2019	2018
Motor Registrations	411 416	411 416
Dispute	184 000	184 000
	595 416	**595 416**

Figures in Rand	2019	2018

9. Cash and cash equivalents

Cash and cash equivalents consist of:

	2019	2018
Cash on hand	6 486	6 486
Bank balances	-	796 439
Short-term deposits	4 345 831	173 545
Bank overdraft	(1 761 688)	-
	2 590 629	**976 470**

	2019	2018
Current assets	4 352 317	976 470
Current liabilities	(1 761 688)	-
	2 590 629	**976 470**

The carrying value of these assets approximate their fair value. No securities are being held over these assets.

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
(Closed) ABSA Bank - Current Account - Account no. 47-037-030	-	117 052	263 702	-	132 751	13 102
(Closed) ABSA Bank - Current Account - Account no. 922-871-4535	-	-	1 371	-	-	-
STANDARD Bank - Account no. 048-873-772-001(WSIG)	2 336	173 545	13 783	-	173 545	13 783
STANDARD Bank - Account no. 048-873-772-002(WSIG)	-	-	-	-	-	-
STANDARD Bank - Acount no. 041-879-171	(48 807)	559 798	570 723	-	593 126	567 192
Standard bank - Account no. 048-873-772-003 (WSIG)	-	-	-	-	-	-
Standard bank - Account no. 048-871-524-001 (WSIG)	1 765 058	-	-	-	-	-
TRAFFIC BANK Account no. 063-362-309	80 546	42 343	2 167	-	42 343	-
Petty cash and float	-	1 591	7 967	-	1 591	6 486
Standard bank - Account no. 048-871-672-001 (MIG)	2 465 708	-	-	-	-	-
Standard bank - Account no. 048-871-311-001 (INEP)	47 406	-	-	-	-	-
Standard bank - Account no. 048-871-362-001 (Operational grants)	41 167	-	-	-	-	-
Total	**4 353 414**	**894 329**	**859 713**	-	**943 356**	**600 563**

Notes to the Financial Statements

Figures in Rand	2019	2018

10. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	10 525 921	-	10 525 921	10 421 704	-	10 421 704

Reconciliation of investment property - 2019

	Opening balance	Fair value adjustments	Total
Investment property	10 421 704	104 217	10 525 921

Reconciliation of investment property - 2018

	Opening balance	Total
Investment property	10 421 704	10 421 704

Details of property

	2019	2018
Property 1 Land held for capital appreciation. - Purchase price: 1 December 2008	3 450 658	3 450 658
Property 2 Land and Improvements held for capital appreciation. - Purchase price: 1 December 2008	4 672 500	4 672 500

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Details of valuation

The effective date of the revaluations was 30 June 2018. The method used by the valuator was to use the existing valuation roll as prepared by the municipal valuer. The value per the valuation roll was increased or decreased to be calculated the current marked value from analysis of most recent property sales dating from 2009 to current.

The assumptions made were to use the marked related property information over the last 6 years to increase or decrease the property value to get to a fair value at the end of the financial year under review.

The fair value of Investment Property was provided by Pierre Rynners, registered as a Professional Associated Valuer under subsection (2) of Section 22 of (Act 47) of 2000 of the Property Valuers Profession Bill.

Notes to the Financial Statements

Figures in Rand	2019	2018

11. Property, plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	1 716 071	-	1 716 071	1 716 071	-	1 716 071
Buildings	29 516 544	(16 959 226)	12 557 318	29 516 544	(15 298 279)	14 218 265
Plant and machinery	1 265 242	(796 281)	468 961	1 242 804	(639 479)	603 325
Furniture and fixtures	1 161 505	(720 354)	441 151	1 172 145	(588 007)	584 138
Motor vehicles	1 084 561	(417 816)	666 745	1 248 061	(382 655)	865 406
Office equipment	1 421 650	(816 709)	604 941	1 467 986	(719 720)	748 266
Finance lease assets	4 651 190	(1 699 882)	2 951 308	4 270 609	(983 091)	3 287 518
Infrastructure	328 698 233	(132 959 739)	195 738 494	318 255 192	(119 204 286)	199 050 906
Emergency equipment	305 684	(221 444)	84 240	305 684	(190 705)	114 979
Work in Progress	26 495 447	-	26 495 447	13 807 378	-	13 807 378
Total	**396 316 127**	**(154 591 451)**	**241 724 676**	**373 002 474**	**(138 006 222)**	**234 996 252**

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Impairment reversal	Total
Land	1 716 071	-	-	-	-	-	-	1 716 071
Buildings	14 218 265	-	-	-	(1 412 642)	(248 305)	-	12 557 318
Plant and machinery	603 325	30 438	(400)	-	(164 402)	-	-	468 961
Furniture and fixtures	584 138	2 900	(677)	-	(139 938)	(5 361)	89	441 151
Motor vehicles	865 406	-	(65 399)	-	(133 262)	-	-	666 745
Office equipment	748 266	83 261	(6 479)	-	(220 841)	-	734	604 941
Finance lease assets	3 287 518	380 580	-	-	(716 790)	-	-	2 951 308
Infrastructure	199 050 906	-	(73 948)	10 657 789	(12 799 665)	(1 096 587)	-	195 738 494
Emergency equipment	114 979	-	-	-	(30 739)	-	-	84 240
Work in Progress	13 807 378	23 345 858	-	(10 657 789)	-	-	-	26 495 447
	234 996 252	**23 843 037**	**(146 903)**	**-**	**(15 618 279)**	**(1 350 253)**	**823**	**241 724 676**

Notes to the Financial Statements

Figures in Rand

11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss	Total
Land	1 716 071	-	-	-	-	-	1 716 071
Buildings	14 965 311	-	-	411 810	(1 158 856)	-	14 218 265
Plant and machinery	727 086	12 834	-	-	(133 104)	(3 491)	603 325
Furniture and fixtures	690 861	-	(5 304)	-	(99 962)	(1 457)	584 138
Motor vehicles	926 880	-	-	-	(61 474)	-	865 406
Office equipment	788 326	143 747	(21 389)	-	(154 481)	(7 937)	748 266
Finance Lease Assets	565 883	3 591 910	(264 541)	-	(605 734)	-	3 287 518
Infrastructure	206 628 850	111 125	-	-	(7 689 069)	-	199 050 906
Emergency Equipment	139 991	-	-	-	(25 012)	-	114 979
Work in Progress	11 035 350	8 952 501	-	(6 180 473)	-	-	13 807 378
	238 184 609	**12 812 117**	**(291 234)**	**(5 768 663)**	**(9 927 692)**	**(12 885)**	**234 996 252**

11. Property, plant and equipment (continued)

Depreciation rates

The depreciation methods and average useful lives of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Buildings	Straight line	10 - 30
Electricity	Straight line	5 - 50
Roads and Paving	Straight line	5 - 80
Furniture and fittings	Straight line	5 - 15
Motor vehicles	Straight line	7 - 15
Office equipment	Straight line	5 - 15
Computer equipment	Straight line	5 - 10
Emergency Equipment	Straight line	10
Plant & Equipment	Straight line	5 - 15
Community Facilities	Straight line	30
Recreational Facilities	Straight line	15 - 30
Sanitation	Straight line	10 - 100
Sewerage / Solid Waste	Straight line	10 - 60
Water network	Straight line	10 - 100

Assets subject to finance lease (Net carrying amount)

	2019	2018
Finance lease assets	2 951 308	3 287 518

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Total
Opening balance	13 807 378	13 807 378
Additions/capital expenditure	23 345 858	23 345 858
Transferred to completed items	(10 657 789)	(10 657 789)
	26 495 447	**26 495 447**

Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Total
Opening balance	11 035 350	11 035 350
Additions/capital expenditure	8 952 501	8 952 501
Transferred to completed items	(6 180 473)	(6 180 473)
	13 807 378	**13 807 378**

Expenditure incurred to repair and maintain property, plant and equipment

	2019	2018
Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance		
Consumables	374 865	320 018
Security (Guarding of municipal property)	-	9 965
Specialist Services	55 387	143 723
Subsistence and travelling	16 080	30 044
	446 332	**503 750**

Notes to the Financial Statements

Figures in Rand	2019	2018

11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

12. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software, other	582 817	(528 865)	53 952	582 817	(467 304)	115 513

Reconciliation of intangible assets - 2019

	Opening balance	Amortisation	Total
Computer software, other	115 513	(61 561)	53 952

Reconciliation of intangible assets - 2018

	Opening balance	Amortisation	Total
Computer software, other	178 312	(62 799)	115 513

13. Non current receivables from exchange transactions

Thembelihle Municipality provides two settlement options to Consumer debtors to settle their outstanding service accounts,
Option 1: 25% of the outstanding balance is paid over 3 years. Once the 25% is settled the remaining 75% of the outstanding account are written off.
Option 2: 60% of the outstanding balance is paid once-off and the remaining 40% of the outstanding balance is written off.

The balance of R420 003.07 (2018: R437 322.00), after provision for impairments of R3 914 073.33 (2018: R3 865 064.00), reflect the Non-Current portion payable under Option1. The Amount written off under Option 1 and 2 totals R988 391.07 (2018: R320 769.00).

14. Loan payable

	2019	2018
At amortised cost		
DBSA Loans Non Current	2 904 618	3 283 837
DBSA Loans Current	559 312	534 614
	3 463 930	**3 818 451**
Total other financial liabilities	**3 463 930**	**3 818 451**

DBSA Loans are repayable on a quarterly basis at R178 663 with an interest charge of 5% per year. The loan will be fully repaid in September 2024.

	2019	2018
Non-current liabilities		
At amortised cost	2 904 618	3 283 837

Figures in Rand	2019	2018

14. Loan payable (continued)

Current liabilities		
At amortised cost	559 312	534 614

15. Finance lease obligation

Minimum lease payments due		
- within one year	1 039 656	806 618
- in second to fifth year inclusive	2 884 714	3 498 530
	3 924 370	4 305 148
less: future finance charges	(651 288)	(902 079)
Present value of minimum lease payments	**3 273 082**	**3 403 069**
Present value of minimum lease payments due		
- within one year	744 200	488 073
- in second to fifth year inclusive	2 528 882	2 914 996
	3 273 082	**3 403 069**
Non-current liabilities	2 503 196	2 929 919
Current liabilities	744 200	488 073
	3 247 396	**3 417 992**

It is municipality policy to lease certain office equipment under finance leases.

The average lease term was 3 years and the prime interest rate was 10% (2018: 10%).

Interest rates are fixed at the contract date. Certain leases have fixed repayments and no arrangements have been entered into for contingent rent.

The municipality's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 11.

16. Payables from exchange transactions

Trade payables	86 702 067	72 725 832
Payments received in advanced	450 409	211 788
Staff Underpaid	17 187	17 187
Rental Deposits	2 770	2 770
Accrued leave pay	2 427 922	1 727 669
Accrued bonus	589 347	465 337
Unallocated deposits received	160 373	158 590
Other payables	407 715	504 215
Retention fees	1 368 046	1 368 046
	92 125 836	**77 181 434**

17. VAT receivable

VAT	9 438 420	7 002 454

The Municipality reports to SARS on the cashflow basis and accounts for VAT on the accrual basis as required by GRAP. Therefore deferred VAT balances are as follow:

Notes to the Financial Statements

Figures in Rand	2019	2018

17. VAT receivable (continued)

VAT Receivable from SARS	3 626 701	3 626 701
Deferred VAT Claimable	5 873 500	5 873 500
Deferred VAT Payable	(61 781)	(2 497 747)
	9 438 420	**7 002 454**

18. Consumer deposits

Water and electricity	624 460	590 054

19. Employee benefit obligations

Defined benefit plan

The plan is a post employment medical benefit plan.

Post retirement medical aid plan

The municipality operates a funded post employment health care defined benefit plan for qualifying employees. Employees of the municipality are members of LA Health, Hosmed, Bonitas and SAMWUMED medical aid schemes.

The municipality is committed to pay 70% of the members post employment medical aid contributions. All subsidies are subject to a maximum of R4 492.35 for the year ending 30 June 2019. Under the plan, dependants of the former employees are entitled to continued membership of their medical aid scheme upon the death of the primary member. No other post-employment benefits are provided to these employees. As at the end of the financial period, the members of the medical aid entitled to the post employment medical scheme subsidy were 34 in-service members and 6 pensioners.

The most recent actuarial valuation of the plan assets and the present value of the defined obligations were carried out at 30 June 2019 by ARCH Actuarial Consulting. The present value of the defined benefit obligation, and the related current service cost and past service costs, were measured using the Projected Unit Credit Method.

The amounts recognised in the statement of financial position are as follows:

Carrying value		
Present value of the defined benefit obligation-wholly unfunded	2 196 026	2 327 256
Present value of the defined benefit obligation-partly or wholly funded	2 769 565	2 650 040
	4 965 591	**4 977 296**
Non-current liabilities	(4 729 246)	(4 742 456)
Current liabilities	(236 344)	(234 840)
	(4 965 590)	**(4 977 296)**

The municipality does not have assets set aside for post-employment medical aid funding that qualify as plan assets in terms of the requirements of GRAP 25

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	4 977 296	5 232 484
Vested Benefits	(234 840)	(254 390)
Acturial (gain) / Loss	(466 709)	(692 364)
Net expense recognised in the statement of financial performance	689 843	691 566
	4 965 590	**4 977 296**

Figures in Rand	2019	2018

19. Employee benefit obligations (continued)

Net expense recognised in the statement of financial performance

	2019	2018
Current service cost	230 334	211 007
Interest cost	459 509	480 559
	689 843	**691 566**

Calculation of actuarial gains and losses

	2019	2018
Actuarial (gains) losses – Obligation	466 709	692 364

Key assumptions used

Assumptions used at the reporting date:

	2019	2018
Discount rates used	9,16 %	9,45 %
Medical cost trend rates	2,32 %	1,98 %
Expected increase in healthcare costs	6,71 %	7,32 %
Future changes in maximum state healthcare benefits	4,66 %	5,12 %

Replacement Ratio: This is the expected pension as a percentage of final salary, at retirement. This assumption is required to determine the income band at retirement of members since some contribution rate tables are income-dependent. A replacement ratio of 65% was assumed. Income bands are assumed to increase with general salary inflation and therefore an explicit salary inflation assumption is not necessary.

Decrement Assumptions: Mortality [Active members: SA(85-90), Pensioners: PA(90)]

Average retirement age:The normal retirement age of employees is 65. It has been assumed that in-service members will retire at age 62, which then implicitly allows for expected rates of early and ill-health retirement and early retirement.

Continuation of Membership: It has been assumed that 75% of in-service members will remain on the Municipality's health care arrangement should they stay until retirement.

Family profile: It has been assumed that husbands will be five years older than their wives. Further, we've assumed that 60% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual marital status was used and the potential for remarriage was ignored.

Other assumptions - Sensitivity Analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends, Discount rate and Post retirement mortality will have the following effects:

	One percentage point increase	One percentage point decrease
Effect on defined benefit obligation	5 421 000	4 437 000

Amounts for the current and previous three years are as follows:

	2019	2018	2017
Defined benefit obligation	4 965 591	4 977 297	5 232 485

Notes to the Financial Statements

Figures in Rand	2019	2018

19. Employee benefit obligations (continued)

Defined contribution plan

It is the policy of the municipality to provide retirement benefits to all its employees. A number of defined contribution provident funds, all of which are subject to the Pensions Fund Act and some are multi-employer exist for this purpose.

The municipality is under no obligation to cover any unfunded benefits.

Included in defined contribution plan information above, is the following plans which are Multi-Employer Funds and are Defined Benefit Plans, but due to the fact that sufficient information is not available to enable the municipality to account for the plans as defined benefit plans. The municipality accounted for this these plans as a defined contribution plans.

20. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts		
Municipal Infrastructure Grant	2 360 915	-
Library Grant	873 252	1 258 935
Expanded Public Works Programme	-	11 619
Finance Management Grant	1 412	-
Municipal Systems Infrastructure Grant	2 175	2 175
Integrated National Electricity Programme	38	38
Water Sanitation Infrastructure Grant	1 772 623	-
	5 010 415	**1 272 767**

Movement during the year

Balance at the beginning of the year	1 272 767	1 769 032
Additions during the year	40 046 000	41 110 000
Income recognition during the year	(35 558 641)	(41 606 265)
	5 760 126	**1 272 767**

The nature and extent of government grants recognised in the financial statements and an indication of other forms of government assistance from which the municipality has directly benefited.

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised.

See note 33 for reconciliation of grants from National/Provincial Government.

These amounts are invested in a ring-fenced investment until utilised.

Notes to the Financial Statements

Figures in Rand	2019	2018

21. Provisions

Reconciliation of provisions - 2019

	Opening Balance	Additions	Total
Environmental rehabilitation	8 272 431	524 985	8 797 416

Reconciliation of provisions - 2018

	Opening Balance	Additions	Total
Environmental rehabilitation	7 803 417	469 014	8 272 431

Environmental rehabilitation provision

Council operates two disposal sites. In terms of the Environmental Conservation Act (Act No 73 of 1989), the municipality is responsible to perform a rehabilitation of the land upon closure of the landfill site.

Section 24G (1) of the NEMA also stipulates that the landfill site be closed with immediate effect if no objection has been made by the municipality, therefore the provision for rehabilitation has been calculated as a current liability at 30 June 2019.

The calculation was based on cost to close and rehabilitate the site within 12 months after 30 June 2019. As the closure date is estimated to be at year end, no discount rates were applied.

There is a new site under development at Hopetown at 30 June 2019, but is still in the process of being licensed and has not been used for disposal to date, therefore its rehabilitation provision will be added in the future, but cannot during this year's assessment due to no obligation to rehabilitate yet.

Summary of assumptions made for valuation purpose:

- Disposal rate at the sites less than 25 tonnes per day based on population statistics.
- Capping design based on DWS comments and/or recently issued closure licences in other Municipalities since no closure licences or designs have been issued for the Thembelihle Local Municipality.
- Sufficient quantities of capping material in the proportions as described in section 3.1 of independent valuation report are available from on-site and nearby sources and the rest are to be imported from commercial sources also as described under section 3.1. of the independent valuation report.
- The sites under consideration will be closed and replaced by the new Hopetown Landfill which is in development.
- Clay was replaced by GCL in the design estimate due to the unlikely availability of sufficient quality clay from on-site sources.

22. Third Party collections

The Liability is due to collections on behalf of the Department of safety on which the Municipality earns a 12% commission. During previous financial periods the balances, 88% of the collections, were not paid over to the Department of safety. The balance payable to the Department of safety due to these non-payments is R130 643 (2019: R130 643)

The service level Agreement for the collections on behalf of the Department of Safety came to an end 30 June 2018 when the service was moved to the Post Office. It is only the Strydenburg office 88% that are paid over monthly.

Notes to the Financial Statements

Figures in Rand	2019	2018

23. Long Service awards

The Municipality offers employees long service awards for every five years of service completed, from ten years of service to 45 years of service, inclusive.

Opening Balance	1 276 066	
Current-service cost	144 488	
Interest cost	108 448	
Actuarial (Gain)/Loss	-48 572	
Employee Benefit vesting's	-34 280	
Closing Balance	1 446 150	
Current Portion	262 356	
Non-Current Portion	1 273 809	

Key Financial Assumptions:

Discount rate:	8.16% p.a
General Salary Inflation:	5.56% p.a
Net effective discount rate:	2.46% p.a

The discount rate used is derived by using a liability-weighted average of the yields corresponding to the average term until payment of log service awards, for each employee. The corresponding liability weighted index-linked yield is 2.96%. These rates do not reflect any adjustment for taxation. These rates were deduced from the yield curve obtained from the Johannesburg Stock Exchange after the market close on 30 June 2019.

Salary inflation rate: This assumption is required to reflect the estimated growth in salaries of the eligible employees until retirement. It is important in that the LSA are based on an employee's salary at the date of the award. The assumption is traditionally split into two components, namely General Salary Inflation and Promotional Salary Escalation. The latter is considered under demographic assumptions.

General Salary Inflation: This assumption is more stable relative to the growth in Consumer Price Index (CPI) than in absolute terms. In most industries, experience has shown, that over the long-term, salary inflation is between 1.0% and 1.5% above CPI inflation.

The Expected inflation assumption of 4.56% was obtained from the differential between market yields on index-linked bonds (2.96%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.16%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). Therefore, expected inflation is determined as ((1+8.16%-0.50%)/(1+2.96%))-1

Thus, a general salary inflation rate of 5.56% per annum over the expected term of the liability has been assumed, which is 1.00% higher than the estimate of CPI inflation over the same term. This assumption reflects a net discount rate of 2.46%.

It has been assumed that the next salary increase will take place on 1 July 2020.

Key Demographic assumptions:

Average retirement age:	62 years		
Mortality during employment:	SA 85-90		
Withdrawal from service (Sample annual rates)	Age	Rate Female	Rate Male
	20	9%	9%
	30	6%	6%
	40	5%	5%
	50	3%	3%
	55	0%	0%

Notes to the Financial Statements

Figures in Rand	2019	2018

23. Long Service awards (continued)

Demographic assumptions are required about the future characteristics of current employees who are eligible for LSA.

Promotional Salary Scale: The annual inflation rates below are in addition to the General Salary Inflation assumption of 5.56% per annum for all employees.

Promotional salary scale

Age band	Additional promotional scale
20 – 24	5.0%
25 – 29	4.0%
30 – 34	3.0%
35 – 39	2.0%
40 – 44	1.0%
> 45	0.0%

Pre-retirement Mortality:
SA85-90 ultimate table, adjusted down for female lives.

Average Retirement Age:
The normal retirement age is 65. It has been assumed that employees will retire at age 62 on average, which implicitly makes an allowance for expected rates of early and ill-health retirement.

Withdrawal from Service: If an in-service member leaves, the employer's liability in respect of that member ceases. It is therefore important not to overstate withdrawal rates. A sample of the assumed rates is set out below.

Sample withdrawal rates

Age	Females	Males
20	9%	9%
25	8%	8%
30	6%	6%
35	5%	5%
40	5%	5%
45	4%	4%
50	3%	3%
55	0%	0%
>55	0%	0%

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed general salary inflation rate;
(ii) A 1% increase and decrease in the discount rate;
(iii) A two-year decrease and increase in the assumed average retirement age of employees; and
(iv) A 50% decrease in the assumed withdrawal rates from service.

Sensitivity Analysis on the Unfunded Accrued Liability (in R Millions)

Assumption	Change	Liability	% change
Central assumptions		1.536	
General salary inflation	+1%	1.633	6%
	-1%	1.449	-6%
Discount Rate	+1%	1.444	-6%
	-1%	1.640	7%
Average retirement age	-2 yrs	1.360	-11%
	+2 yrs	1.624	6%
Withdrawal rates	-50%	1.757	14%

The table above indicates, for example, that if salary inflation is 1% greater than the long-term assumption made, the liability will be 6% higher than the results shown.

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2019

Assumption	Change	Current-service Cost	Interest Cost	Total	% change

Notes to the Financial Statements

Figures in Rand					2019	2018

23. Long Service awards (continued)

Central assumptions		144,500	108.400	252.900	
General salary inflation	+1%	156,500	116.200	272.700	8%
	-1%	133.700	101.500	235.200	-7%
Discount Rate	+1%	134.600	112.800	247.400	-2%
	-1%	155.600	103.200	258.800	2%
Average retirement age	-2 yrs	132.400	98.200	230.600	-9%
	+2 yrs	151.700	115.100	266.800	5%
Withdrawal rate	-50%	180.800	128.700	309.500	22%

Sensitivity Analysis on Current-service and Interest Costs for year ending 30/06/2020

Assumption	**Change**	**Current-service Cost**	**Interest Cost**	**Total**	**% change**
Central assumptions		178.700	114.900	293.600	
General salary inflation	+1%	193.800	122.700	316.500	8%
	-1%	165.100	107.700	272.800	-7%
Discount Rate	+1%	166.200	120.500	286.700	-2%
	-1%	192.800	108.200	301.000	3%
Average retirement age	-2 yrs	161.400	100.500	261.900	-11%
	+2 yrs	188.700	122.100	310.800	6%
Withdrawal rate	-50%	218.100	132.900	351.000	20%

History of liabilities and assets

	2019	2018
Accrued Liability	1 536 165	1 276 066
Fair value of plan asset	-	-
Surplus/ (Deficit)	(1 536 165)	(1 276 066)
	-	-

Past year and future projected Liability

	2019	2018
Opening accrued liability	1 276 066	1 206 868
Current-service Cost	144 488	132 509
Interest cost	108 448	93 673
Expected Benefit Vestings	(34 280)	(66 488)
Acturial loss /Gain	41 443	(90 496)
Closing accrued liability	(1 536 165)	(1 276 066)
	-	-

24. Revenue

	2019	2018
Service charges	21 701 936	19 903 524
Rental of facilities and equipment	332 182	768 333
Interest received (trading)	1 164 520	984 761
Licences and permits	160 584	219 555
Commissions received	110 061	508 225
Other income - (rollup)	768 459	540 031
Connection fees	46 994	62 109
Interest received - investment	499 778	594 753
Property rates	4 035 707	4 068 356
Informal Settlement Rates	4 522	3 917
Government grants & subsidies	60 897 668	58 710 169
Fines, Penalties and Forfeits	211 350	1 100 800
	89 933 761	**87 464 533**

Notes to the Financial Statements

Figures in Rand	2019	2018

24. Revenue (continued)

The amount included in revenue arising from exchanges of goods or services are as follows:		
Service charges	21 701 936	19 903 524
Rental of facilities and equipment	332 182	768 333
Interest received (trading)	1 164 520	984 761
Licences and permits	160 584	219 555
Commissions received	110 061	508 225
Other income - (rollup)	768 459	540 031
Connection fees	46 994	62 109
Interest received - investment	499 778	594 753
	24 784 514	**23 581 291**

The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	4 035 707	4 068 356
Licences or permits	638 674	63 209
Informal Settlement Rates	4 522	3 917
Transfer revenue		
Government grants & subsidies	60 897 668	58 710 169
Fines, Penalties and Forfeits	211 350	1 100 800
	65 787 921	**63 946 451**

25. Service charges

Sale of electricity	13 274 818	12 351 024
Sale of water	4 188 469	3 634 089
Sewerage and sanitation charges	2 861 368	2 603 769
Refuse removal	1 377 281	1 314 642
	21 701 936	**19 903 524**

26. Rental of facilities and equipment

Premises		
Premises	300 554	719 721
Venue hire	28 150	46 699
	328 704	**766 420**
Facilities and equipment		
Rental of equipment	3 478	1 913
	332 182	**768 333**

27. Interest received

Interest revenue		
Bank	499 778	594 753
Receivables from exchange transactions	1 164 520	984 761
	1 664 298	**1 579 514**

Notes to the Financial Statements

Figures in Rand	2019	2018

28. Licences and permits

Licence - exchange	160 584	219 555
Licence - non - exchange	638 674	63 209
	799 258	**282 764**

29. Commissions received

Commission on Motor registration collections on behalf of Third Party	110 061	508 225

30. Other income

Garden & Sale of Gravel	29 380	39 112
Building Plans	24 236	20 348
Advertising	6 159	11 831
Enchroachments	182 551	-
Grave Plots	8 420	9 312
Insurance payouts	355 229	129 017
Sundry repayments	83 993	279 002
Photostats & faxes	548	44
Sewerage obstructions	20 497	15 665
Tender Fees	45 739	19 486
Testing of meters	343	641
Valuation Certificates Issued	11 364	15 573
	768 459	**540 031**

31. Connection fees

Relates to the amounts charged for connection of property water and electricity, either if accounts are in arrears or if property has changed hands.

Consumers	47 684	62 109

Figures in Rand	2019	2018

32. Property rates

Rates received

Residential	4 374 314	4 309 925
Less: Income forgone	(338 607)	(241 569)
	4 035 707	**4 068 356**

Property Rates are levied on the value of land and improvements, which valuation is performed every four years. The municipality was granted extension for the new general valuation roll to be implemented by the Department of Cooperative Governance, Human Settlements and Traditional Affairs.

Interim valuations are processed on a continuous basis taking into account changes in individual property values due to alterations and subdivisions. During the 2018/19 financial period there where no alterations and subdivisions noted.

Rates are levied monthly on property owners and are payable at the end of each month. Interest is levied at a rate determined by council on outstanding rates amounts.

Valuations

Residential	197 277 600	197 277 600
Commercial	82 063 800	82 063 800
State	80 123 700	80 123 700
Small holdings and farms	2 882 138 100	2 882 138 100
	3 241 603 200	**3 241 603 200**

Valuations on land and buildings are performed every 4 years. The last general valuation came into effect on 1 July 2015. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

Rates are levied on an annual basis with the final date for payment being 30 September 2019 (30 September 2018). Interest at prime plus 1% per annum (2018: 11.5%).

The new general valuation was implemented on 01 July 2015.

Notes to the Financial Statements

Figures in Rand	2019	2018

33. Government grants and subsidies

Operating grants

	2019	2018
Equitable share	22 988 000	20 907 000
Finance Management Grant (FMG)	2 413 588	2 345 000
Expanded Public Works Programme (EPWP)	1 011 642	996 680
Library Grant	839 683	1 012 228
LG SETA Grant	29 917	24 505
Treasury's contribution towards Audit Fees	1 571 376	13 169 399
	28 854 206	**38 454 812**

Capital grants

	2019	2018
Municipal Infrastructure Grant (MIG)	11 991 085	8 255 357
Water Sanitation Infrastructure Grant (WSIG)	8 727 377	4 000 000
Integrated National Electricity Programme (INEP)	11 325 000	8 000 000
	32 043 462	**20 255 357**
	60 897 668	**58 710 169**

Conditional and Unconditional

Included in above are the following grants and subsidies received:

	2019	2018
Conditional grants received	37 909 668	37 803 169
Unconditional grants received	22 988 000	20 907 000
	60 897 668	**58 710 169**

Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. In terms of the allocation made by DPLG the funds are also utilised to enable the municipality to execute its functions as a local municipality.

All registered indigents receive a monthly subsidy of R 140 (2018: R 140), which is funded from the grant.

Municipal Infrastructure Grant (MIG)

	2019	2018
Balance unspent at beginning of year	-	89 357
Current-year receipts	14 352 000	8 166 000
Conditions met - transferred to revenue	(11 991 085)	(8 255 357)
	2 360 915	**-**

The Municipal Infrastructure Grant (MIG) was allocated for the construction of Highmast lights, sewer and water purification infrastructure as part of the upgrading of previously disadvantaged areas.

All current year allocations were fully spent during the year and allocated to revenue under votes.

Library Grant

	2019	2018
Balance unspent at beginning of year	1 258 935	1 669 163
Current-year receipts	454 000	602 000
Conditions met - transferred to revenue	(839 683)	(1 012 228)
	873 252	**1 258 935**

Conditions still to be met - remaining liabilities (see note 20).

Notes to the Financial Statements

Figures in Rand	2019	2018

33. Government grants and subsidies (continued)

The grant was as part of a contribution towards the running of libraries i.e to cover operational costs.

Expanded Public Works Programme (EPWP)

	2019	2018
Balance unspent at beginning of year	11 619	8 299
Current-year receipts	1 000 000	1 000 000
Conditions met - transferred to revenue	(1 011 619)	(996 680)
	-	**11 619**

Conditions still to be met - remaining liabilities (see note 20).

The grants was received for the purpose of creating job opportunities.

Finance Management Grant (FMG)

	2019	2018
Balance unspent at beginning of year	-	-
Current-year receipts	2 415 000	2 345 000
Conditions met - transferred to revenue	(2 413 588)	(2 345 000)
	1 412	**-**

The Financial Management Grant is paid by National Treasury to municipalities to assist the financial management reforms required by the Municipal Finance Management Act (MFMA), 2003. No funds have been withheld.

Municipal Systems Improvement Grant (MSIG)

	2019	2018
Balance unspent at beginning of year	2 175	2 175

Conditions still to be met - remaining liabilities (see note 20).

The Municipal Systems Improvement Grant is allocated to municipalities to assist in building in-house capacity to perform their functions and to improve and stabilise municipal systems. No funds have been withheld.

Integrated National Electricity Programme (INEP)

	2019	2018
Balance unspent at beginning of year	38	38
Current-year receipts	11 325 000	8 000 000
Conditions met - transferred to revenue	(11 325 000)	(8 000 000)
	38	**38**

Conditions still to be met - remaining liabilities (see note 20).

The grants was paid to the municipality to promote rural development and upgrade the electricity infrastructure.

Regional Bulk Infrastructure Grant (RBIG)

	2019	2018
Balance unspent at beginning of year	274 659	274 659

Conditions still to be met - remain liabilities (see note 20).

Notes to the Financial Statements

Figures in Rand	2019	2018

33. Government grants and subsidies (continued)

This Grant was used for the operation and maintenance of sewerage and water schemes transferred from RBIG to the municipality and the refurbishment of infrastructure. The balance of expenditures relates to own funds utilised for the operational and maintenance work on sewerage and water schemes, these amounts will not be claimable in the 2018-19 financial period (R 274 659).

Water Sanitation Infrastructure Grant

Balance unspent at beginning of year	-	-
Current-year receipts	10 500 000	4 000 000
Conditions met - transferred to revenue	(8 727 377)	(4 000 000)
	1 772 623	-

Treasury Contribution towards Audit fees

Current-year receipts	1 571 356	13 169 399
Conditions met - transferred to revenue	(1 571 356)	(13 169 399)
	-	-

According to the Public Audit Act the Municipality is only responsible for an audit fee from the offices of the Auditor General equal to 1% of their total expenditures per annum. The balance of the audit fees are payable by Treasury.

34. Fines, Penalties and Forfeits

Traffic fines	211 350	1 100 800

Notes to the Financial Statements

Figures in Rand	2019	2018

35. Employee related costs

Basic	16 387 236	15 778 264
Medical aid - company contributions	1 094 490	1 135 043
UIF	152 233	153 755
SDL	328 798	235 158
Leave pay provision charge	857 392	(140 659)
Defined contribution plans	942 779	917 748
Overtime payments	1 022 620	1 123 656
13th Cheques	1 301 087	1 120 606
Car allowance	87 390	112 511
Housing benefits and allowances	23 203	33 803
Telephone Allowances	362 518	256 800
Pension fund contributions	2 495 974	2 345 274
Provident fund contributions	50 765	56 447
Stipends	212 097	207 283
Wages	144 396	2 100
Senior management remuneration	3 596 132	3 446 454
	29 059 110	**26 784 243**

Remuneration of Municipal Manager

Annual Remuneration	928 761	804 628
Car Allowance	157 454	122 809
Remote allowance	41 398	38 125
Annual payment	-	38 050
Contributions to UIF, Medical and Pension Funds	12 774	105 058
	1 140 387	**1 108 670**

Remuneration of Chief Finance Officer

Annual Remuneration	403 429	580 146
Annual Payment	-	30 495
Remote allowance	18 234	4 943
Contributions to UIF, Medical and Pension Funds	1 102	89 052
Car Allowance	70 000	-
Cellphone allowance	10 500	-
	503 265	**704 636**

The position of CFO has been vacant from 1 July 2017 until 30 November 2018. An acting allowance was paid during this time to N Jaxa and JT Oliphant. R Shuping was appointed 3 December 2018 as CFO.

Remuneration of Corporate Services Director

Annual Remuneration	770 571	640 134
Annual payment	49 359	67 716
Car Allowance	57 600	57 600
Housing Allowance	24 244	24 244
Cellphone allowance	4 500	-
Contributions to UIF, Medical and Pension FUnds	189 842	113 507
	1 096 116	**903 201**

The Position of Corporate Services Director was vacant from 1 December 2016. An acting allowance was paid to VJ Mpamba from 1 July 2017 untill 30 September 2018 and MM Makenna from 1 October 2018 untill 30 June 2019.

Notes to the Financial Statements

Figures in Rand	2019	2018

35. Employee related costs (continued)

Remuneration of Technical Services Director

	2019	2018
Annual Remuneration	826 081	700 116
Car Allowance	-	28 005
Remote allowance	30 178	-
Contributions to UIF, Medical and Pension Funds	105	1 826
	856 364	**729 947**

36. Remuneration of councillors

	2019	2018
Councillors (Total Packages)	2 448 635	2 557 024

37. Administrative expenditure

	2019	2018
Administration and management fees	79 249	60 591

38. Depreciation and amortisation

	2019	2018
Property, plant and equipment	16 967 710	9 005 946
Intangible assets	61 560	62 800
	17 029 270	**9 068 746**

39. Finance costs

	2019	2018
Non-current borrowings	181 469	206 828
Trade and other payables	7 600 706	7 423 508
Finance leases	348 040	203 953
Increase in Rehabilitation Provision	524 985	469 014
	8 655 200	**8 303 303**

40. Operating lease

The Municipality rents equipment used in bathroom facilities on an operating lease basis. The contract commenced in December 2016 and is renewable on an annual basis. During the 2019 year of assessment, the renewal was performed in October 2018.

- The rent payable on a monthly basis amounts to R4 220.50, exclusive of VAT.
- No escalation clauses exists and the contract is renewable after a year.
- Future rent payable:

	2019	2018
Amount payable within 1 year	12 662	12 240
	12 662	**12 240**

41. Bulk purchases

	2019	2018
Electricity	12 496 329	12 034 590
Water	536 321	473 130
	13 032 650	**12 507 720**

Notes to the Financial Statements

Figures in Rand	2019	2018

42. Contracted services

Operating Leases	-	2 300
Specialist Services	126 742	197 839
Other Contractors	18 042	7 734
	144 784	**207 873**

43. General expenses

Advertising	24 054	53 588
Auditors remuneration	3 385 936	3 019 170
Bank charges	97 021	102 962
Consulting and professional fees	3 790 225	4 013 835
Consumables	441 924	385 183
Delivery expenses	22 324	25 484
Entertainment	10 174	6 411
Insurance	684 427	501 413
IT expenses	480 927	489 009
Motor vehicle expenses	363 283	412 553
Fuel and oil	764 535	606 962
Postage and courier	101 688	48 987
Printing and stationery	226 012	205 627
Protective clothing	50 694	8 206
Project maintenance costs	4 428 504	7 638 246
Royalties and license fees	513 809	1 651 581
Security (Guarding of municipal property)	-	9 965
Staff welfare	8 670	9 823
Subscriptions and membership fees	401 500	500 000
Telephone and fax	230 246	295 186
Training	15 000	-
Electricity	641 091	590 552
Refuse	-	1 700
Free Basic Services	312 696	295 292
Special Programs	366 779	236 451
Subsistence and Traveling	913 884	1 375 111
Speed Law Enforcement	150	156 679
Cash shortages	-	4 709
Chemicals	524 612	530 710
	18 800 165	**23 175 395**

44. Fair value adjustments

Investment property (Fair value model)	104 217	227 094

Notes to the Financial Statements

Figures in Rand	2019	2018

45. Cash generated from operations

Deficit	(7 208 793)	(2 520 628)
Adjustments for:		
Depreciation and amortisation	17 029 270	9 068 746
Gain (loss) on sale of assets and liabilities	142 557	269 173
Fair value adjustments	(104 217)	(227 094)
Debt impairment	8 824 367	7 615 150
Actuarial cost	(607 960)	(973 441)
Movements in provisions	524 985	469 014
Adjustment to employee benefit obligations	689 843	691 566
Adjustments to long service awards	252 936	226 182
Changes in working capital:		
Inventories	(18 963)	42 823
Receivables from exchange transactions	(9 487 880)	(6 878 301)
Consumer debtors	34 406	26 289
Receivables from non-exchange transactions	(252 250)	(1 589 156)
Employee benefits	824 263	(478 050)
Payables from exchange transactions	14 291 980	11 169 845
VAT	(2 435 966)	(2 402 745)
Unspent conditional grants and receipts	3 737 648	(496 265)
Third Party Collections	-	(391 133)
Contributions paid to Long Service Awards	(34 280)	(66 488)
Contributions paid to Employee Benefit Obligations	(52 149)	(63 809)
	26 149 797	**13 491 678**

46. Other revenue

Commissions received	110 061	508 225
Other income - (rollup)	768 459	540 031
Connection Fees	46 994	62 109
	925 514	**1 110 365**

47. Auditors' remuneration

Fees	3 385 936	3 019 170

Fees paid consists of the following:		
External Audit fees	3 051 993	2 579 889
Consulting - Internal audit fees	333 943	439 281
	3 385 936	**3 019 170**

48. Financial instruments disclosure

Categories of financial instruments

2019

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	3 463 309	3 463 309
Other receivables from non-exchange transactions	2 050 809	2 050 809
Cash and cash equivalents	4 352 317	4 352 317
Other receivables	595 416	595 416
	10 461 851	**10 461 851**

Notes to the Financial Statements

Figures in Rand	2019	2018

. Financial instruments disclosure (continued)

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	3 247 396	-	3 247 396
Loans Payables	3 463 930	-	3 463 930
Trade and other payables from exchange transactions	-	91 907 283	91 907 283
Third party collections	-	130 643	130 643
	6 711 326	**92 037 926**	**98 749 252**

2018

Financial assets

	At cost	Total
Trade and other receivables from exchange transactions	2 380 976	2 380 976
Other receivables from non-exchange transactions	2 200 068	2 200 068
Cash and cash equivalents	976 470	976 470
Other Recievables	595 416	595 416
	6 152 930	**6 152 930**

Financial liabilities

	At amortised cost	At cost	Total
Finance leases	3 417 991	-	3 417 991
Loans Payable	3 818 451	-	3 818 451
Trade and other payables from exchange transactions	-	77 015 042	77 015 042
Third party Collections	-	130 643	130 643
	7 236 442	**77 145 685**	**84 382 127**

49. Commitments

Authorised capital expenditure

	2019	2018
Already contracted for but not provided for		
• Property, plant and equipment	25 471 405	28 936 129
Not yet contracted for and authorised by accounting officer		
• Property, plant and equipment	32 279 135	30 143 828
Total capital commitments		
Already contracted for but not provided for	25 471 405	28 936 129
Not yet contracted for and authorised by accounting officer	32 279 135	30 143 828
	57 750 540	**59 079 957**

Total commitments

	2019	2018
Total commitments		
Authorised capital expenditure	57 750 540	59 079 957

This committed expenditure relates to plant and equipment and will be financed by available bank facilities, retained surpluses, existing cash resources, government grants, funds internally generated, etc.

Notes to the Financial Statements

Figures in Rand	2019	2018

50. Contingencies

Contingent Liabilities

No contingent liabilities have been identified.

Contingent assets

No contingent assets have been identified.

Notes to the Financial Statements

Figures in Rand	2019	2018

51. Related parties

Relationships

Accounting Officer	The accounting officer had no interest in contracts
Shareholder with joint control	VJ Mpamba - None
	S Marufu - Tlosaleuba Consultig Services
	N Jaxa - Laphuma Ikwezi Trading
	F Human - Thembelihle Agricultural
	J Breyl - None
	J Thomas - None
Council	B Mpamba - None
	B Tshangela - Thembelihle Agricultural
	HL Brits - Oranjerivier Sekuriteit
	J Tallies - None
	PM Naude - None
	R Ngxabazi - None
	S Swartling - None

Related party balances

	2019	2018
Accounts included in Trade Receivables regarding related parties		
Mpamba B	47 677	-
Tshangela B	955	-
Naude PM	15 783	-
Swartling S	22	-
Jack MR	-	14 513
Rent recieved from related parties		
Graham LE	6 759	8 917
Gorrah TP	-	21 442
Esterhuizen EE	461	-
Molusi TC	12 691	17 321
Marufu S	31 692	42 007
Jafta P	5 890	-
Links J	300	-
Ramabodu K	-	12 428
Goaya R	9 056	12 136
Shuping R	3 307	-
Jack MR	17 866	14 513

Related party transactions

	2019	2018
Purchases from lated parties		
MTN Service provider	-	48 418

It has been identiifed that Maserame Rebecca Mouyeme, who is a non-executive Director at MTN Service Provider, has been in the employement of Johannesburg Fresh Produce in the previous 12 months. The payments made to this supplier as per the general ledger amounts to R48 418. As this amount exceeds R2 000, this is disclosed as a related aprty transaction as set out in Supply Chain Management Regulation 45.

	2019	2018
Compensation to accounting officer and other key management		
Accounting Officer - AM Mogale	-	384 911
Accounting Officer - MR Jack	1 140 387	723 758
Corporate Service Director - M Makena (Acting 01 Oct 2018 - 30 June 2019)	459 931	-
Corporate Service Director - VJ Mpamba (Acting 31 July 2018 - 30 September 2018)	636 185	903 201
Chief Financial Officer - R Shuping (Appointed - 03 December 2018)	520 843	-
Chief Financial Officer - N Jaxa (Acting 01 Aug 2018 - 30 Nov 2018)	11 607	688 326

Notes to the Financial Statements

Figures in Rand	2019	2018

51. Related parties (continued)

	2019	2018
Chief Financial Officer - JT Oliphant (Acting July 2018 - Sept 2018)	5 971	16 310
Technical Service Director - A Marufu	856 364	729 947
Mayor - B Mpamba	859 922	832 868
	4 491 210	**4 279 321**

Compensation to councillors

	2019	2018
S Swartling	340 605	347 069
B Tshangela	275 882	347 069
J Tallies	1 303 176	347 069
R Ngxabazi	399 186	383 881
H Brits	365 340	384 847
P Naude	318 290	286 644
	3 002 479	**2 096 579**

52. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

2018

	Note	As previously reported	Correction of error	Restated
Property Plant and Equipment	11	232 289 069	11 318 545	243 607 614
Investment Property	10	8 123 158	2 298 546	10 421 704
		240 412 227	**13 617 091**	**254 029 318**

Statement of finanical performance

2018

	Note	As previously reported	Correction of error	Restated
Depreciation and Amortisation	38	(9 030 061)	(7 454 936)	(16 484 997)
Retention fees		(1 727 669)	359 623	(1 368 046)
Surplus for the year		**(10 757 730)**	**(7 095 313)**	**(17 853 043)**

Errors

A number of of accounts were re-stated in the comparative amounts of the financial statements due to prior period errors. Where applicable, the corrections and/or changes were adjusted retrospectively, unless otherwise stated.

The following prior period errors adjustments occurred:

Property Plant and Equipment

Assets were identified by Infratec advisory, which were not included in the prior year. They also identified Investment property (houses being rented out to employees below market value that was reclassified to Property, Plant and Equipment.

During the annual asset verification, assets were identified which were previously not recognised in the prior year. This amounted to an adjustment to cost of R30 672 608.41 and an adjustment to accumulated depreciation of R18 524 790.67.

52. Prior-year adjustments (continued)

Change in accounting policy

No change in accounting policies occurred during the year under review.

[If retrospective application is impracticable for a particular prior period, disclose the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.]

Reclassifications

Repairs and maintenance were reclassified according to the nature of the expenditure, in order to be in line with paragraph 104 of GRAP 1, which requires that an entity presents an analysis of expenditure either by nature or by function.

53. Risk management

Financial risk management

The municipality's activities expose it to a variety of financial risks: market risk (fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the council and the finance committee which has built an appropriate liquidity risk management framework for the management of the municipality's short, medium and long-term funding and liquidity management requirements. The municipality manages liquidity risks by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuasly monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. The Municipality also gets funding from National and Provincial government which helps to ease the pressure of any liquidity crisis.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the policy. Trade Receivables are presented net of an allowance for impairment.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	2019	2018
Receivables from exchange transactions	3 463 309	2 380 976
Receivables from non-exchange transactions	2 050 809	2 200 068
Other receivables	595 416	595 416

Market risk

53. Risk management (continued)

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk. During 2019 and 2018, the municipality's borrowings at variable rate were denominated in the Rand.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	10,00 %	5 514 118	-	-	-	-
Other Receivables	- %	595 416	-	-	-	-
Cash in current banking instituitions	- %	4 352 317	-	-	-	-
Trade and other payables - Extended Credit terms	- %	91 907 283	-	-	-	-
Loan from DBSA	- %	559 312	2 904 618	-	-	-
Finances leases	- %	744 200	2 122 616	-	-	-
Third party collections	- %	130 643	-	-	-	-

54. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R 151 020 651 and that the municipality's total assets exceed its liabilities by R 151 020 651. In the current financial year, the municipality had an operating surplus of R1 328 981.00.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Notes to the Financial Statements

Figures in Rand

54. Going concern (continued)

The ability of the municipality to continue as a going concern is dependent on a number of factors. The most significant of these is that the accounting officer continue to procure funding for the ongoing operations for the municipality. The municipality currently relies on grants received from National and Provincial government.

The following matters have been considered relating to the going concern:

- Council approved the budget for the 2018/19 to 2020/21 budget. This three year Medium Term Revenue and Expenditure Framework (MTREF), which supports the ongoing delivery of municipal services to residents reflected that the budget, was backed over the three year period.

- The municipality's budget is subjected to a very rigorous independent assessment process to assess its cash backing status before it is ultimately approved by council.

- Strict daily cash management processes are embedded in the municipality's operations to manage and monitor all actual cash inflows and cash outflows in terms of the cashflow forecast supporting the budget. The cash management process is complemented by monthly reporting, highlighting the actual cash position, including associated risks and remedial actions to be instituted.

- As the municipality has power to levy fees, tariffs and charges, this will result in an ongoing inflow of revenue to support the ongoing delivery of municipal services.

- A strategy has been developed to improve debt collections on outstanding accounts. The policy will be strictly applied by handing over outstanding accounts, cutting off of services such as electricity and restricting water flows. The Municipality will also be implementing a blacklisting strategy where long outstanding debtors will be blacklisted. Distribution losses are also being inspected on a monthly bases for electricity and water, procedures to be implemented by management to improve The percentage loss month on month and finding alternatives.

'- The current ratio, also referred to as the operating capital ratio in municipalities, is a financial ratio that measures whether or not the institution has enough resources to pay its debts within the next 12 months. The current ratio is thus an indication of an institution's ability to meet short-term obligations. Acceptable current ratios vary from industry to industry. Swanevelder (1991: 193) determined the current ratios of municipalities to be 1.98 : 1. If a municipality's current assets are in this range, then it is generally considered to have good short-term financial strength. If current liabilities exceed current assets (and the current ratio is below 1), then the institution may have problems meeting its short-term obligations. If the current ratio is too high, the institution may not be efficiently utilising its current assets (Swanevelder 2005: 73). The calculated ratio of the municipality is 0.13 : 1, which is below the acceptable range.

- The acid-test or quick ratio:Swanevelder (1991: 193) determined an acid test ratio of between 105.6% (or 1.06 : 1) and 282.4% (or 2.82 : 1) for a sample group of municipalities in 1991. The fact that the keeping of inventory is not part of a municipality's major activities is noticeable in this relatively high ratio. The calculated ratio of t he municipality is 0.13 : 1, which is below the acceptable range.

- The solvency ratio: The solvency of a municipality is best expressed by the debt ratio (Scott 2001: 148). This ratio compares the total assets with total liabilities, and it shows the ability of an authority to meet its obligations in the long term. A ratio of less than one is an indication of insolvency. An acceptable ratio is 1 : 1. The calculated ratio of t he municipality is 2 : 1, which is above the acceptable range

- All creditors are not paid within the required 30 days.

55. Events after the reporting date

No events occurred after the reporting date.

56. Unauthorised expenditure

Unauthorised expenditure	87 769 503	57 959 706
Unauthorised expenditure - Current year	-	29 809 797
	87 769 503	**87 769 503**

Notes to the Financial Statements

57. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	22 518 467	15 142 443
Fruitless and wasteful expenditure - Current year	7 480 683	7 376 024
	29 999 150	**22 518 467**

Interest charges on overdue accounts: The Municipality was charged for interest on outstanding accounts. A register containing the information required by the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Eskom	7 395 656	6 554 489
Auditor General	36 540	758 272
Other Creditors	48 486	63 263
	7 480 682	**7 376 024**

58. Irregular expenditure

Opening balance	112 865 460	111 541 075
Add: Irregular Expenditure - current year	15 019 986	1 324 385
	127 885 446	**112 865 460**

Analysis of expenditure awaiting condonation per age classification

Current year	15 019 986	1 324 385

59. Deviations

Deviations - Current year	3 244 779	1 759 225

60. Additional disclosure in terms of Municipal Finance Management Act

Audit fees

Opening balance	554 898	9 868 283
Current year subscription / fee	3 476 057	3 856 014
Amount paid - current year	(1 916 075)	(13 169 399)
Closing Balance	**2 114 880**	**554 898**

PAYE and UIF

Opening balance	(193)	(193)
Current year subscription / fee	4 129 431	3 849 440
Amount paid - current year	(4 129 431)	(3 849 440)
Closing Balance	**(193)**	**(193)**

Pension and Medical Aid Deductions

Opening balance	(25 150)	(25 150)
Current year subscription / fee	6 160 324	5 796 582
Amount paid - current year	(6 160 324)	(5 796 582)
	(25 150)	**(25 150)**

60. Additional disclosure in terms of Municipal Finance Management Act (continued)

VAT

VAT receivable	9 438 420	7 002 454

VAT output payables and VAT input receivables are shown in note .

61. Utilisation of Long-term liabilities reconciliation

Long-term liabilities raised	3 463 930	3 818 451

Long-term liabilities have been utilized in accordance with the Municipal Finance Management Act. Sufficient cash has been set aside to ensure that long-term liabilities can be repaid on redemption date.

62. Distribution Losses - Water

Water		
Water units available for sale (Kl)	1 755 113 .	1 601 660
Water units sol (Kl)	(599 509)	(608 517)
Water units lost (Kl)	1 148 624	1 601 660
Average cost per unit (R)	8	8
Total loss in Rand value	9 129 186	7 458 505

Distribution losses relates to unaccounted water distributed. The foregoing costs, which represents 66% (2018: 62%) of the water purchases for the year, has been included in bulk purchases. The average cost per unit was R 7.95 (2018: R 7.51). The level of the distribution losses are not within the acceptable norms.

63. Distribution Losses - Electricity

Electricity		
Electricity units bought (Kwh)	13 009 372	9 763 613
Electricity units sold (Kwh)	(7 122 766)	(6 578 200)
Electricity units lost (Kwh)	5 886 606	3 185 413
Highest electricity rate	2	2
Total loss in Rand value	14 127 854	5 797 451

Distribution losses relates to unaccounted electricity distributions. This cost mainly arises from, inter alia, illegal connections to the electricity network and bridging of meters by consumers. The foregoings costs, which represented 45% (2018: 33%) of the electricity purchases for the year, has been included in bulk purchases. The highest rate was R2.40 (2018: R 2.00). The level of the distribution losses are not within the acceptable norms.